



U.S. Department of Justice

United States Attorney
Eastern District of California

501 I Street, Suite 10-100
Sacramento, California 95814

916/554-2700
Fax 916/554-2900

FOR IMMEDIATE RELEASE
November 12, 2004

Contact: Patty Pontello, 916-554-2706
www.usdoj.gov/usao/cae/home

**FORMER NORTHRIDGE WATER DISTRICT GENERAL MANAGER SENTENCED
TO PRISON IN CONNECTION WITH TAX FRAUD SCHEME**

SACRAMENTO—United States Attorney McGregor W. Scott announced that DEWIGHT FRANCES KRAMER, 80, of Sacramento, was sentenced today by U.S. District Court Judge Garland E. Burrell, Jr. to four months in prison. As part of his sentence, KRAMER was also ordered to pay a fine of \$15,000, and to serve a two year period of supervised release, including four months in home detention. On February 20, 2004, KRAMER pleaded guilty to conspiracy to defraud the United States.

The case is the product of a joint investigation undertaken by the Sacramento County District Attorney's Office, the Internal Revenue Service - Criminal Investigation, and the Federal Bureau of Investigation.

According to Assistant United States Attorney James P. Arguelles, who prosecuted the case, KRAMER admitted as part of his plea that while he was the General Manager for Northridge Water District (NWD), he conspired with co-defendant JERRY NESS to conceal from the IRS hundreds of thousands of dollars in taxable income earned by themselves and other NWD employees. Specifically, KRAMER admitted that during the period of January of 1999 through December of 2002, he and NESS caused the compensation for unused sick leave and vacation pay for NWD employees to be issued through accounts payable rather than payroll, resulting in no Form 1099s or other notifications being issued to the IRS. In addition, KRAMER testified during the trial of co-defendant JERRY NESS that both he and NESS knew that taxes were supposed to be withheld from these payments. The sentence imposed today was reduced, on the Government's motion, to reflect KRAMER'S substantial cooperation in the case.

As part of his plea agreement KRAMER also admitted that he issued himself bonuses, salary advances, and a car allowance, all of which were also run through NWD's accounts payable, rather than payroll, again resulting in no withholding of federal taxes from such payments. KRAMER admitted that he knowingly issued these payments through the accounts payable system in order to conceal them from the IRS, and that he in fact paid no federal taxes on such income. In total, during the period of January of 1999 through December of 2002, approximately \$516,332 in compensation issued to KRAMER, NESS, and other NWD employees was run through the NWD accounts payable system in order to conceal it from the

IRS.

On October 25, 2004, co-defendant JERRY NESS pleaded guilty to mail fraud and tax evasion in the middle of his trial, after three days of testimony which concluded with his taking the stand in his own defense. As part of his plea, NESS admitted that during the period of January of 1999 through December of 2002, he received approximately \$119,627 in vacation "buy-back" payments and bonuses from NWD, all of which was run through the accounts payable system. NESS admitted that even though he knew that no taxes had been taken out of this compensation, he willfully caused these payments to be omitted from his federal income tax returns, and as a result knew that more federal income tax was owed than was declared on the income tax returns he filed with the IRS. In total, during this three-year period NESS successfully evaded paying approximately \$36,143 in federal income taxes which he knew were lawfully due and owing.

In addition, NESS also admitted to participating in a scheme to defraud NWD by having NWD pay for personal purchases which he charged to a water district credit card. In total, during the period of January of 2000 through December of 2002, NESS charged approximately \$1933.46 to his NWD credit card for personal purchases, none of which was reimbursed.

Judgment and sentencing for NESS has been set before Judge Burrell for January 28, 2004 at 9:00 a.m., where he faces a maximum sentence of ten years in prison and up to a \$350,000 fine.

###